

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
September 16, 2004

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, September 16, 2004, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Tim Bolding, Bill Bruce, Bob Cooper, Ann Butterworth for John Morgan, Peter Abernathy for Dave Goetz, Janice Cunningham for Dale Sims, Winston Henning, Gerald Konohia, Eddie Latimer (Chair), Ralph Perrey, Brad Rainey, Gerald Reed for Secretary Darnell, Sharon Reynolds, Alvin Nance, Carl Tindell, and Jackie West.

The following members were absent: Ronnie Knight, Tom Mottern, and Caestine Williams.

Chairman Latimer called the meeting to order and welcomed two newly-appointed members. Mr. Alvin Nance, Local Government Representative, and Ms. Sharon Reynolds, Realtor Representative, were introduced. Ms. Reynolds and Mr. Nance shared their individual backgrounds with other members, staff, and the public. Chairman Latimer noted that much of the membership was appointed during the past year, thus a special session is planned for the November meeting. All members and member representatives introduced themselves at this time.

Chairman Latimer opened the floor for public comment. No public comments were made.

Chairman Latimer called for a motion to approve the July 15, 2004, meeting minutes. Mr. Abernathy moved approval and Mr. Bruce offered a second. The minutes were approved.

Chairman Latimer asked Janice Myrick, Executive Director, to present staff recognitions. Toni Harris, Chief of Communications, was recognized for 5 years of service. Betty Warren was recognized for 25 years of service, all with the Section 8 Rental Assistance Division.

Chairman Latimer asked Ms. Myrick to discuss the monthly report. For the benefit of the new members, Ms. Myrick briefly reviewed the activity summaries included in the report every month. Ms. Myrick pointed out that the information is also available on the Agency website.

Chairman Latimer called on Bonnie Adamson, Office of Research, Comptroller's Office, to report on the analysis of results of the affordable housing survey conducted at the request of Representative Nathan Vaughn. Ms. Adamson briefed the Board on preliminary survey results and advised that the final report is expected to be published in mid-November.

Chairman Latimer called on Mr. Reed to report on Grants Committee agenda items. Mr. Reed commented that with the addition of new membership on the Committee, discussion on the HOME Program was very good. As in past years at the September meeting, the Grants Committee took the opportunity to review programs and staff suggestions for improvements.

The Committee discussed particular suggestions for the HOME Program and non-profit capacity building. The Grants Committee expects to bring these suggestions to the Board at the November meeting.

Mr. Reed reported briefly on the progress of the American Dream Downpayment Initiative ("ADDI") Program, a HUD initiative to provide downpayment assistance to very-low income families purchasing a home. The response from the non-profit community has exceeded the Committee's expectations, with 53 non-profit agencies participating in the ADDI Program.

Regarding the Individual Development Account ("IDA") Program, Mr. Reed reported that in the past month 6 households were able to use the saved money in their IDA account for purchasing a home. Mr. Reed noted that the citizens served by the program are the lowest-income population served by Agency programs and he added that IDA Program continuation recommendations will be forthcoming in future Board meeting.

Chairman Latimer thanked Mr. Reed for his willingness to temporarily chair the Grants Committee. As the newly-appointed members become more familiar with the responsibilities of the Committee, a new chair will be appointed.

Chairman Latimer called on Ms. Butterworth to report on Bond Finance Committee items. Ms. Butterworth advised that Mary-Margaret Collier, Director of Division of Bond Finance, is available to meet with members who want additional information on the Agency's bond process. Lynn Miller, General Counsel, encouraged members to read the section of their Board Manual entitled "Housing Bond Basics for Board Members" prepared by the Agency's bond counsel, Kutak Rock.

Ms. Butterworth reported that the Bond Finance Committee considered the Plan of Financing for Issue 2004-3. Upon the recommendation of the Committee, Ms. Butterworth moved Board approval of the Resolution authorizing Issue 2004-3. Ms. Miller reviewed the documents prepared relative to this action: a financing recommendation from the Agency's financial advisor, CSG Advisors, a Plan of Financing for Issue 2004-3 with an aggregate principal amount of bonds not to exceed \$100 million, a Board Resolution, and a form of the Series Resolution for Issue 2004-3. Ms. Miller added that by adopting the Resolution the Board would delegate authority back to the Bond Finance Committee to determine the final terms and conditions of the bond issue. Mr. Bruce offered a second to Ms. Butterworth's motion to adopt. The motion carried. Following the action, Chairman Latimer stressed the importance of the Agency's bond program, noting that Board members are stewards of large federal resources.

Ms. Butterworth called on Ms. Collier to give the status of the underwriting pool selection process. Ms. Collier informed the Board that the Request for Qualification ("RFQ") is expected to be distributed on October 20. She added that once the RFQ has been issued, Board members are not to have contact with investment bankers in the selection pool. Ms. Collier asked that any such contact be referred directly to her. A recommendation will be made to the Bond Finance Committee at the January 2005 meeting regarding a new underwriting team.

The Chairman asked Ted Fellman, Chief Financial Officer, to update members on the 4th quarter investment report and Agency financial statement. Following the brief update, Mr. Fellman welcomed questions concerning these reports.

Regarding the FY 2006 Budget, Chairman Latimer advised that both the Audit & Budget Committee and Bond Finance Committee recommend approval of the budget with authorization for making adjustments during the budget process. Chairman Latimer opened the floor for a motion for approval of the FY 2006 Budget. Mr. Perrey so moved. Mr. Konohia seconded. The motion carried, with Mr. Abernathy abstaining.

Chairman Latimer shared Audit & Budget Committee items, including review and recommendation to approve the FY 2006 Budget as presented.

The Audit & Budget Committee deferred action on staff and Board member annual disclosures until the November 2004 meeting.

Chairman Latimer called on Mr. Perrey to update the Board on the Audit & Budget Committee's discussion of a revised conflict of interest policy. Mr. Perrey referred members to the material included in the Board packets, noting that the preference of the Committee was to adopt the revised policy and endorse the interpretive guidelines included under Item 2 of the September 3, 2004, memorandum from Lynn Miller. Mr. Perrey moved adoption of the referenced revised policy and interpretive guidelines. Ms. Butterworth seconded the motion. Chairman Latimer opened the floor for discussion. Mr. Reed stated that Secretary Darnell feels that in competitive situations for THDA programs, the company or agency represented by a Board member should not participate in those THDA programs. Secretary Darnell's opinion is that this is a public perception issue and the public might not ever believe that Board members would always act responsibly and recuse themselves when appropriate. Mr. Reed then advised that he planned to abstain from voting on the motion. Ms. Miller took the opportunity to review the different types of interests and the appropriate measures of voting and non-participation in the referenced revised policy. She noted that the statutory makeup of THDA's Board may always create a perception issue. Chairman Latimer called for a vote on the motion. The motion carried, with Mr. Reed, Mr. Nance, and Ms. Reynolds abstaining.

There was no action on the State Audit Exit agenda item. Chairman Latimer advised that the audit is complete and the final report is expected in November.

Chairman Latimer called on Mr. Rainey, Chairman of the Policy & Programs Committee to report. Mr. Rainey advised that the Committee reviewed material provided regarding the New Start 0% Mortgage Program. Based on the Committee's recommendation, Mr. Rainey moved approval of an extension of the New Start 0% Mortgage Program until December 31, 2005, with an additional allocation of \$2 million. Mr. Bruce offered a second. The motion carried, with Ms. Reynolds abstaining.

The next Policy & Programs Committee item was review and approval of the Low Income Housing Tax Credit Qualified Allocation Plan for 2005 (the "2005 QAP"). Board members were given a list of changes recommended by the Committee and Mr. Rainey summarized each of the changes. Board members discussed at length the recommended change

to development location and housing needs, Change 8 in the document titled "Summary of Changes Incorporated into the August 17, 2004, Draft of 2005 LIHTC QAP" (the "Changes"). Mr. Reed related that Secretary Darnell received communications on this issue from several legislators. The concern of these legislators is that the recommended change would divert potential inner-city projects to the suburbs. Mr. Rainey noted that communications relative to this recommended change have also been received from members of Congress, and the correspondence contains erroneous information. Mr. Rainey also noted that the Committee raised the amount of points awarded from staff's recommended zero (0) to five (5). Mr. Rainey added that developments in QCTs in 2005 will get a 130% increase in basis which may lead to an increase in available tax credits and the Committee's sense was that this Change, along with Change 2, addresses the concerns communicated by members of Congress and the General Assembly. Following review of the remaining recommended changes, Chairman Latimer called for a motion. Mr. Rainey moved approval of the 2005 QAP, incorporating the changes recommended by the Policy & Programs Committee, and allowing staff to make conforming housekeeping changes. Mr. Bruce seconded. The motion carried, with Mr. Konohia, Mr. Bolding, and Mr. Henning abstaining. The 2005 QAP was adopted.

Chairman Latimer acknowledged receipt of numerous pieces of correspondence regarding the 2005 QAP received in the midst of the Board meeting and noted that much of the correspondence contained misinformation. Chairman Latimer noted that the draft 2005 QAP was posted on the Agency website on August 17, 2004, and members of the General Assembly were notified of the posting via email. Chairman Latimer proposed that the Policy & Programs Committee meet with legislators about three weeks prior to the September 2005 Board meeting to allow legislators' concerns to be given the consideration and respect deserved, while giving Board members the respect they deserve for making decisions affecting the tax credit program. Chairman Latimer voiced concern that elected officials might feel their concerns are not being addressed. He noted, however, a concern that the Board does not have the opportunity to address these concerns directly when communication occurs in this way. Mr. Bruce agreed that a forum meeting might address this recurring problem. Mr. Perrey stated that legislators and members of Congress might be disappointed to learn of the quality of information given to them by others prior to communicating to the Board. Mr. Reed suggested that Chairman Latimer respond to the individual legislators and members of Congress, providing them with accurate information regarding the process and the Board's desire to maintain a focus on QCTs while encouraging the development of the tax credit projects in all areas of the state. Chairman Latimer agreed.

Chairman Latimer asked Ms. Myrick to share the "Other Items" agenda item. Ms. Myrick referred members to the information provided regarding a Statewide Housing Conference: Housing the Developmentally Disabled. This conference is still in the planning stages.

Ms. Myrick updated the Board regarding mortgage recording taxes. The Department of Revenue recently distributed a memorandum to all county Register of Deeds indicating that the THDA borrower is responsible for paying this tax if the Deed of Trust and the assignment to THDA are not recorded at the same time. The Board might be interested in introducing legislation to alleviate this burden on THDA borrowers. Mr. Bruce stated that the collection of this tax from borrowers is a burden; however, he stated that a legislative change would be

difficult if there are revenue consequences and suggested that action be taken to show that the impact of the memorandum could be avoided, thereby negating potential fiscal impact.

On the topic of legislation, Ms. Myrick asked whether appointing a legislative committee might be appropriate to allow her and other senior staff to work with selected members as legislation occurs. The Board did have a legislative committee in its early years, but the committee disbanded in the 1980s. The creation of this committee could be discussed at the November meeting. Mr. Perrey commented that it might make good sense to have a legislative committee. Mr. Konohia concurred. Chairman Latimer informed the Board that plans are underway for a strategic planning meeting prior to the November meeting and this topic could be discussed at that meeting and the Bond Finance Committee November meeting. Mr. Reed stated that with the membership of the Board including constitutional officers elected by the General Assembly and appointees by the Speakers of the House and Senate, the channels of communication with the General Assembly are in place. Mr. Reed urged the Board to look at the advantages and disadvantages of creating a committee, and suggested that the Board communicate with legislative leadership on this matter.

Ms. Myrick provided information about the TDOT United We Ride Proposal, a grant proposal to provide transportation for special needs populations. THDA has made no commitment of dollars, although the Agency will partner with other state agencies in this endeavor.

The Division of Mental Retardation Services ("DMRS") is under a Federal mandate to deinstitutionalize clients and move them into more appropriate community-based living. In FY96-97, the Agency made \$1 million available to DMRS. Agency staff is working with DMRS to determine what support the Agency can again provide, and recently was contacted for support by Tennessee Family Solutions, Inc., a non-profit DMRS contracted provider organization. DMRS considers the services provided by Tennessee Family Solutions very important to the community-based living model. The Agency is waiting to review the non-profit's financial structure to determine whether the Agency can provide support. Chairman Latimer related that he has received other solicitations and meetings with DMRS staff are being scheduled. He went on to say that he believes that the HOUSE Program will resurface.

Ms. Myrick reported on the uninsured loans in the Agency's portfolio. Staff believes the current \$232,000 loss reserve is more than adequate. This amount does not change from year to year unless the Board wishes to take action.

Don Harris, Deputy Executive Director, reported that Tennessee hosted the Appalachia Housing Summit recently. Attendance was good from housing finance agencies and non-profit organizations from the five states participating (Kentucky, North Carolina, Tennessee, Virginia, and West Virginia). Mr. Harris offered thanks to event sponsors, including FannieMae.

Mr. Perrey updated members that the first meeting of the Black Caucus Housing Task Force is scheduled for early in October at THDA offices. He added that Mr. Bolding, Mr. Henning, Mr. Konohia, Mr. Nance, and himself have accepted appointments to the Task Force.

Regarding Federal legislation, Ms. Myrick referred members to the update included in their packet.

Ms. Myrick reminded the Board of the upcoming NCSHA Conference. The Department of Personnel is currently reviewing requests to attend and requested that the attendee list be shortened. Approvals have not been received at this point.

Chairman Latimer made the Board aware of the formation of a statewide association focusing on non-profit and community development. This association is comprised of representatives from non-profit agencies and sponsors including banks, the Federal Reserve Bank, and Neighborhood Reinvestment Corporation. THDA has been supportive of this effort. The association is in the process of developing by-laws and membership criteria for review by the non-profit affordable housing providers across Tennessee. The association has the potential to serve as a training platform, technical assistance clearinghouse and assist with capacity building strategies for its member agencies in the delivery of affordable housing across the state.

Chairman Latimer advised that there will most likely be a property tax issue that comes before the Board in the future. Property taxes have recently changed on tax credit projects built before 2000.

Chairman Latimer urged members to be mindful of conflicts of interest and strive to create a model for other boards to follow.

Mr. Perrey shared a compliment passed along to him at a recent FAHE meeting. A couple of non-profits from East Tennessee made a point to compliment THDA staff and the Grants Committee for the THDA's development and administration of the ADDI Program. Mr. Perrey added that next year's FAHE meeting location is Pigeon Forge, and he encouraged the Board's support of this organization.

Mr. Bruce informed members that he and Chairman Latimer attended the NCSHB meeting recently, and while at that meeting, lobbied for the meeting to be held in Tennessee next year.

With no other business to come before the Board, the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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